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FM AMEMBASSY CARACAS  
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INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS  
RUEAHL/DHS WASHDC  
RULSDMK/DEPT OF TRANSPORTATION  
RUEABND/DEA HQ WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE  
RUEATRS/DEPT OF TREASURY  
RUMIAAA/HQ USSOUTHCOM MIAMI FL

UNCLAS CARACAS 000051

SIPDIS

HQ SOUTHCOM ALSO FOR POLAD  
TREASURY FOR MMALLOY  
COMMERCE FOR 4431/MAC/WH/JLAO

E.O. 12958: N/A

TAGS: [ECON](#) [PGOV](#) [PREL](#) [ETRD](#) [AMGT](#) [FMGT](#) [VE](#)

SUBJECT: VENEZUELAN GOVERNMENT MAY RAISE VAT, ALREADY OWES  
USG OVER A QUARTER MILLION DOLLARS IN REFUNDS

REF: 2008 CARACAS 1384

11. (SBU) SUMMARY: Press reports indicate that the Venezuelan government may move to increase the Value Added Tax (VAT) in an attempt to raise revenue as oil prices remain low. Meanwhile, the Venezuelan government is currently sitting on VAT refunds of over USD 300,000 for the US Embassy; Post's average wait time for refunds has increased by 63 percent in 2008 (reftel). The British have terminated their VAT reciprocity agreement with Venezuela. The Canadian Embassy reports it is strongly considering pulling Venezuelan diplomats' point of sale tax cards and duty free liquor and tobacco privileges in Canada in response to its year-long wait for refunds. On the other hand, embassies with warmer relations with the Venezuelan government report receiving their refunds in half the time. END SUMMARY.

12. (SBU) The Venezuelan government continues to examine all of its revenue-generating options and is reportedly considering increasing the VAT tax, currently at 9 percent, in what the Spanish Santander Investments Securities company believes would be a highly unpopular move. In light of an anticipated, dramatically reduced revenue stream, the government has already proven itself willing to take controversial measures when it cut in half the amount of dollars it allows Venezuelans traveling overseas in 2009. The Ministry of Finance has also shown a renewed interest in refining its system of transferring VAT funds instantaneously to treasury accounts to try to speed up its cash flow.

13. (SBU) At the same time that the Venezuelan government is hard at work streamlining the VAT collection process, the Embassy continues to experience serious delays in receiving VAT refunds. Delays have gone up by 63 percent from a historical average (for the period between April 2001-December 2007) of 141 days to a current average delay of 230 days per unpaid submission. By November 2008, Post had requested over USD 300,000 in refunds for the Embassy and individual mission members dating back to February 2008 that have yet to be paid. After an informal survey of diplomatic community contacts, it seems not all Embassies are experiencing the same treatment. While the Canadians report similar delays of approximately a year and the British no longer offer Venezuelan diplomats in Great Britain VAT refunds, the Honduran Embassy reports that it is receiving its refunds within roughly 90 days. Cuban and Argentinean refunds are averaging six months.

14. (SBU) COMMENT: As bilateral relations deteriorated in

2008, the US Embassy's difficulties with routine administrative issues in country, such as VAT tax refunds, have increased (reftel). Embassies with close ties to the US seem to be having a similar experience while those Chavez views as more sympathetic to his "revolution" tend to enjoy more favorable treatment. In a difficult budget year for Post, the Venezuelan government's large, and growing, VAT refund tab has become a highly visible example of reciprocity gone wrong. END COMMENT.  
CAULFIELD